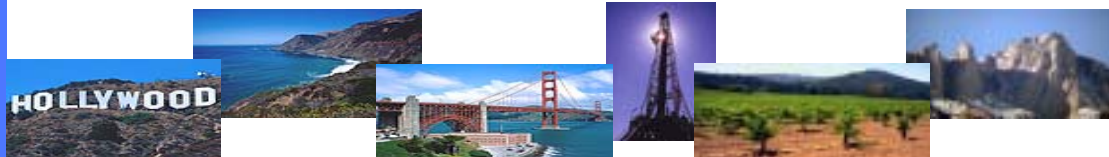




California Regional Bulletin

A Review of Current California Economic News

January 21, 2005



In this week's Bulletin, you will find:

- What the national trade deficit means to California jobs;
- The "movies" had a good year in 2004, but competition for this California business remains keen;
- California's last commercial aircraft assembly plant will close next year;
- Housing prices keep climbing in Southern California;
- San Diego's economy should stay on a positive course; and
- Home prices climb, but rents stabilize or fall in Santa Clara County and the rest of the Bay Area.

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Statewide

The growing trade deficit costs California jobs, according to a study released last week by the U.S.-China Economic and Security Review Commission. California lost over 211,000 jobs between 1989 and 2003, almost twice the loss of any other state, due to the growing trade deficit with China. The study is one of a series of reports by different researchers commissioned to update Congress on the state of U.S.-China economic and strategic relations. This [report](#), conducted by the Washington-based Economic Policy Institute, using Bureau of Labor Statistics data, says as many as 1.5 million American jobs were displaced by China during the years between 1989 and 2003, a period when the U.S.-China trade deficit ballooned from \$6.2 billion to \$123 billion. Many of the losses resulted from U.S. corporate investment in China's manufacturing sector which has gone beyond the labor-intensive sectors like apparel manufacturing to producing more high-tech items like computers and telecommunications equipment.

Southern California

For moviemakers, the grass may not always be greener across the California state line. The latest production data from the Entertainment Industry Development Corporation (EIDC) shows producers sponsored 52,707 location production days in 2004, a 19 percent increase over 2003. Filmmakers shot more movies, TV shows, music videos and commercials in public spaces across Los Angeles County in 2004 than ever before. TV production jumped by 27 percent, feature films climbed by 19 percent, and commercials went up by 18 percent. The [Los Angeles Times](#) quoted several film industry watchers. "It was definitely a good year in productions, particularly in TV, and we need to do what we can to keep the business here," said Steve MacDonald, the EIDC president. Jack Kyser of the Los Angeles County Economic Development Corporation said, "with the decline in the value of the dollar it makes more sense to stay home. The cost savings is no longer there." But there is plenty of competition for California's film industry and besides New Zealand, Australia, and Canada, states including New Mexico, Louisiana, and New York still tempt producers. Kathleen Milnes, chief executive of the Entertainment Economy Institute, said the data "are encouraging and there's no question the more production there is in Los Angeles, the better it is for L.A. But it's unclear as to whether this indicates a major shift in location of feature film production."

Boeing will close Southern California's last commercial jetliner production line and one of its huge Long Beach plants after they deliver the last of its 717s in 2006. Boeing decided to close the 717 line after an unsuccessful last-ditch effort to secure additional orders. The [Los Angeles Times](#) reported that the economic impact should be modest as most of the plant's 300 assembly line workers will transfer to jobs at another Boeing factory in Long Beach that builds C-17 military transports. Another 1,700 employees that overhaul and maintain Boeing-built aircraft should retain their jobs. However, the fate of 500 salaried employees is unclear. The C-17 will be the last big aircraft assembled in California, marking the end of an era for a region once known for the manufacture of commercial aircraft.

Southern California

Spurred by new upscale homes hitting the market, Riverside County's median home price in December soared to a new high of \$371,000. That was \$99,000 more than a year earlier and \$25,000 more than in November. San Bernardino County also saw its median home price reach a record \$281,000, rising nearly 31 percent over the year. John Karevoll, an analyst with DataQuick Information Systems, said buyers snapped up a record 2,370 new homes in Riverside County during December, 14 percent more than sold in December 2003. The number of Riverside and San Bernardino (Inland Empire) households financially able to buy an Inland Empire house fell from 34 percent to 19 percent between November 2003 and November 2004, but Inland Empire houses continue to sell. Karevoll said, "For every (Inland Empire) household that gets bumped out by higher prices, there are probably three that get bumped out in Orange County and San Diego County, and when they get bumped out they go to Riverside." The pace of home sales fell by double digits in Orange and San Diego counties last month, but Karevoll said, "Riverside and San Bernardino Counties are playing catch-up." The coastal counties led the housing market cost run-up for five to seven years, with the Inland Empire lagging behind, Karevoll said. But now he expects sales and appreciation in the two-county region will outpace the rest of the state in 2005.

San Diego's 2005 economy should look like 2004's, according to a panel of local economists and community leaders. Panelists at the San Diego Economic Roundtable 2005 expected San Diego to create 18,500 jobs in 2005, and most expected to see growth in areas such as defense contracting, life sciences, telecommunications, and tourism. Some predicted the rate of growth in construction jobs to slow and the number of government jobs to decline. The consensus of the panel was for an unemployment rate between 3.5 and 3.7 percent, population growth of about 49,670, and the median price of housing rising 7.7 percent, about half of an estimated 15 percent rise during 2004. The panel discussed the quality of the jobs being created and noted that decision-makers have targeted public money and tax incentives at boosting tourism, which contributes to the creation of low-paying jobs. Panelists asked that such investments be more balanced and target higher-paying industries as well.

Central California

Prices for houses and condominiums in Santa Clara County and around the Bay Area continued to climb in 2004. The median price of resale houses sold in Santa Clara County throughout 2004 was \$582,000, up 15 percent from 2003. The San Jose Mercury News cited a report released Wednesday by DataQuick Information Systems. Prospective homebuyers and sellers must wonder whether home sales can keep climbing in 2005, especially since experts keep saying the buying spree and price appreciation have to slow. Stephen Levy of the Center for Continuing Study of the California Economy, in Palo Alto said, "I don't expect that price increases will continue as interest rates rise, and in the continued absence of sustained job growth." Of course, Levy noted that he made the same prediction in early 2004, then watched as prices and sales zoomed ahead even without new job creation. But he added, "At some point that has to end because at some point mortgage rates are going to increase, flattening out prices." The annual median price in the Bay Area hit a new peak too, at \$532,000. That was nearly 17 percent higher than in 2003.

Santa Clara County apartment rents fell while housing prices climbed. The San Jose Mercury News reported that the average monthly rent in the county for apartments of all sizes in large complexes dropped to \$1,283 during the fourth quarter of 2004, down \$2 from the third quarter and well below the all-time high of \$1,955 reached during the first quarter of 2001. Despite the drop in rents, landlords have had trouble attracting tenants, partly because many workers have moved out of the area after being laid off. In addition, low mortgage rates have made it easier for many people to buy homes. Elsewhere in the Bay Area, rents averaged \$1,386 in San Mateo County, \$1,194 in Alameda County, \$1,782 in San Francisco County and \$1,141 in Contra Costa County. The only Bay Area county where rents increased was Santa Cruz, where the average was \$1,299, up \$4 from the third quarter.